

Message Text

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ACTION ARA-14

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E.O. 11652: N/A
TAGS: PINT, ENRG, NA
SUBJECT: PRIME MINISTER'S LETTER TO US SECRETARY OF ENERGY

REF: (A) 77 CURACAO A-43, (B) 77 CURACAO A-44, (C) CURACAO 0448,
(D) CURACAO 0467

1. CONGEN HAS RECEIVED COPY OF PM ROZENDAL'S JULY 5 LETTER TO ENERGY SECRETARY SCHLESINGER. THE EIGHT PAGE LETTER IS A SUMMARY OF THE NETHERLANDS ANTILLES' (NA) ECONOMIC DIFFICULTIES CAUSED BY DIMINISHED REFINERY PRODUCTION DUE TO US ENTITLEMENTS PROGRAM. OF NOTE IS PM'S ASSUMPTION THAT HE HAS A "SCHEDULED MEETING" WITH SECRETARY SCHLESINGER AT WHICH CONTENTS OF LETTER WILL BE DISCUSSED. THE LETTER CONTAINS THREE OFTEN REPEATED AND BASIC THEMES OF NA'S PERCEPTION OF PROBLEM:

-- THE LOYALTY FACTOR. SHELL, FOR 60 YEARS, AND LAGO (EXXON), FOR 50 YEARS, HAVE PROVIDED AN UNINTERRUPTED FLOW OF REFINED PRODUCTS TO US MARKETS IN TIMES OF WAR AND PEACE. ADDITIONALLY, TO MEET INCREASED US DEMANDS, BOTH COMPANIES HAVE INVESTED SUBSTANTIAL CAPITAL (400 MILLION USDOLS SINCE 1970)

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IN EXPANSION OF FACILITIES. IT NOW APPEARS THAT WE ARE ABANDONING THIS LONG TIME FRIEND IN ITS HOUR OF NEED.

-- ECONOMIC DISASTER FOR NA. REFINERIES AND RELATED ACTIVITIES ACCOUNTED FOR 40 PER CENT OF NA'S GNP IN 1977 AND, DESPITE RECENT REDUCTIONS, STILL EMPLOY 6,000 OF COUNTRY'S MOST HIGHLY EDUCATED AND SKILLED WORKERS OR 9 PERCENT OF TOTAL EMPLOYMENT

IN NA. LOSS OF TRADITIONAL US MARKETS AND RESULTANT LOW UTILIZATION OF REFINING CAPACITY, CURRENTLY 65 TO 70 PERCENT, HAS CREATED HIGH UNIT COST FOR REFINED PRODUCTS MAKING COMPETITION IN INTERNATIONAL MARKETS DIFFICULT AND INHIBITING EFFORTS TO DIVERSIFY MARKET OUTLETS. CONTINUED UNPROFITABLE OPERATION OF REFINERIES CANNOT CONTINUE INSURING FURTHER REDUCTIONS IN REFINERY PRODUCTION WITH CORRESPONDING REDUCTIONS IN WORKFORCE AND POSSIBLE CESSATION OF OPERATIONS. RESULTANT LOSS OF WAGES, INCREASED UNEMPLOYMENT, DECLINING GOVERNMENT TAX REVENUES (34 MILLION USDOLS ON 4 BILLION USDOLS OF REFINED PRODUCT SALES IN 1977) AND INCREASED BALANCE OF PAYMENT DEFICITS SPELL ECONOMIC DISASTER FOR A COUNTRY WITHOUT NATURAL RESOURCES.

-- WHY ME FACTOR.

ASSUMING REWARDS FOR LOYALTY SHOULD NOT BE ECONOMIC DISASTER FOR NA, US OIL POLICY AND LEGISLATION IS CLEARLY UNFAIR FROM NA PERSPECTIVE. IT IS NOT EVEN LOGICAL. PM STRESSES CURRENT CAPABILITY OF NA REFINERIES TO HANDLE HIGH SULPHUR CONTENT CRUDES UPON WHICH US WILL DEPEND IN FUTURE. FOR US REFINERIES TO PROCESS THIS TYPE OF CRUDE WOULD REQUIRE SUBSTANTIAL CAPITAL INVESTMENT IN PLANT FACILITIES; CAPITAL BETTER USED IN OIL EXPLORATION. CRUDE OIL AVAILABLE FROM WESTERN HEMISPHERE COUNTRIES PROCESSED IN NEARBY, FRIENDLY NA WOULD APPEAR TO BE STRATEGICALLY MORE RELIABLE THAN CRUDE OIL IMPORTS FROM EASTERN HEMISPHERE.

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2. PM CLOSING LETTER BY PROPOSING JOINT US-NA WORKING COMMITTEE THAT WOULD (A) DOCUMENT ADVERSE EFFECT OF CURRENT US OIL AND ENERGY LEGISLATION ON NA REFINERIES AND ECONOMY; (B) EVALUATE IMPACT OF POSSIBLE CHANGES IN US LEGISLATION; (C) ADVISE NA ON CHANGES IN TREATMENT OF EXISTING REFINERIES NECESSARY TO MEET REQUIREMENT OF "US ENERGY PLAN" THAT OIL COMPANIES ACCOUNT INDIVIDUALLY FOR PROFITABILITY OF OPERATIONS; AND (D) ADVISE NA ON INTEGRATION OF ITS REFINERIES INTO "LEGAL FRAMEWORK OF US OIL POLICY."

3. COPY OF LETTER FOLLOWS BY POUCH.
VESSEY

NOTE BY OC/T: ##AS RECEIVED.

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